

The Commerce Management Strategy: Our Model for Challenge and Success

Overview

During his tenure, Secretary Daley has made “effective, efficient management” a critical goal for the Department. Under Secretary Daley’s leadership, performance outcomes have become the key measures for assessing the Department’s progress in addressing management and program challenges.

As a direct result of the Secretary’s emphasis on accountability and providing the taxpayer due diligence in the use of resources, the Department has strengthened intramural communications, implemented strategic planning, and integrated policy-making into the budget process. The Commerce team is focused on full mission accomplishment, the elimination of overlap, and timely delivery of high-quality services.

The Secretary’s management philosophy and its benefits are fully consonant with the spirit of the Government Performance and Results Act (GPRA) of 1993. GPRA is directed at providing both Congress and the public with a complete picture of how well agencies are meeting their intended purposes and a rigorous commitment to continually improving performance. As a result of the Secretary’s leadership and the Department’s aggressive implementation of GPRA, many long-standing management and programmatic challenges have been resolved or are very near resolution. This progress and the continual emphasis on requiring each program to justify its contribution each day have introduced a new dynamic — a widely-shared spirit to make the best use of our resources in serving the American people.

Highlights of our accomplishments from the past year include the following:

- The Department has made great strides in preparing for the 2000 Census. Work is near completion on outreach efforts, including a publicity campaign, printing Census questionnaires in multiple languages, and aggressively seeking to hire Welfare-to-Work individuals to help administer the Census at 520 local level offices throughout the country.
- The Department has continued to improve its financial management program, and anticipates obtaining an unqualified opinion on its consolidated balance sheet for fiscal year 1999. The number of material weaknesses and reportable conditions continue to decline. For example, the Department’s efforts in identifying alternatives for obtaining hydrographic and marine data have led to the NOAA fleet modernization being dropped as a material weakness.
- The Department fully and successfully met the Y2K challenge — on all of its 473 mission-critical and 693 non-mission-critical systems.
- DOC has led the Federal government in providing an avenue for increasing the number and value of contracts for small, minority, and women-owned businesses through its new, government-wide Commerce Information Technology Solutions (COMMITTS) program.
- The Department is delivering on its ambitious commitment to foster diversity — both inside Commerce and among our customers — as a means of nourishing our Nation’s strength.
- Significant progress has been made in meeting the objectives of the Government Performance and Results Act by greatly improving the utility of our Annual Performance Plan — a gain that was recognized by both the Office of Management and Budget and Congress — and Congressional staff awarded Commerce one of the highest scores in government in 1999.
- We achieved a major milestone in our weather forecast capabilities by installing advanced workstations in the National Weather Service.

- We have improved oversight of our financial assistance programs and our facilities acquisition and management to ensure that the funds placed in our charge are well spent.
- The Department consolidated and strengthened security operations to ensure complete protection of our employees, property, and data.

2000 Decennial Census

Our top management priority at the Department of Commerce continues to be to ensure that the 2000 Census is managed effectively and efficiently. Over the past 2½ years, the Office of Inspector General (OIG) has raised concerns about the Census Bureau's readiness to undertake this enormous task. At Secretary Daley's direction, the Department has exerted a great deal of effort to ensure that the Decennial is well-managed and to address the Inspector General's concerns.

As part of its effort to boost initial response to the Census form, the Bureau designed a major publicity campaign that includes advertising in 17 different languages. The campaign will proceed in three phases, with the first phase (awareness) beginning last November. Questionnaires are printed in six languages and language guides are provided in over 40 languages. Questionnaire Assistance Centers will be established in local communities with over 15,000 paid assistants, many of whom are bilingual. Indigenous enumerators from local neighborhoods are being hired at competitive wages.

Our outreach efforts include our sponsoring the Census 2000 Partnership program, which is drawing on local and State governments, non-governmental organizations, and businesses to promote full participation in the census, help dispel myths, and explain that the answers given to the Census Bureau will be held confidential. The Bureau has also designed special census methods and procedures to improve cooperation and enumeration in hard-to-enumerate areas. Our procedures are giving the regional census centers the flexibility to target specific blocks and neighborhoods for coverage improvement.

The Bureau developed action plans for the 520 local Census offices to provide managers with effective strategies for conducting a complete and fair enumeration of all communities under their jurisdiction. These plans will be based on a detailed study of each community, identifying those that are hard-to-enumerate and recommending the specific tools that should be used to improve coverage. Once these operations are complete, the Census Bureau will use modern statistical sampling methods to conduct an Accuracy and Coverage Evaluation Survey, which will be used to produce more accurate numbers for all purposes other than apportionment.

Most elements of our plans for the 2000 decennial census were tested and evaluated in the Census 2000 Dress Rehearsal. This past August, the Department released a final report providing the results and recommendations from more than 40 evaluation studies conducted during the Dress Rehearsal. These evaluations indicate that, overall, the Dress Rehearsal was successful. Population numbers were produced on time, and the numbers, including data adjusted using modern statistical methods, compared favorably with independent benchmarks. In those operations where problems were identified, the Census Bureau modified plans for Census 2000 accordingly.

During the past three months, the Census Bureau completed the address label tape for use in addressing and labeling questionnaires for nearly 120 million housing units throughout the country. This major milestone was achieved with help from nearly half of the 39,000 governmental units in the United States that are participating in the Local Update of Census Addresses program. Moreover, the participating units encompass 85 percent of all households in the United States. We are continuing to update the Census 2000 address list periodically as we find new housing units, identify corrections, and add new construction.

All other key operations for Census 2000 are also on schedule. All major contracts have been awarded and the contractors are in place. The four data capture centers and all 520 temporary local Census offices are open. Contracts for printing the various questionnaires were awarded last March and the operation to print, address, assemble, and ship the census forms to the U.S. Postal Service or other Census Bureau locations began as scheduled in July 1999.

Department-wide Financial Management

We are extremely confident that Commerce will receive an unqualified (or “clean”) audit opinion on its Consolidated Financial Statement for FY 1999, though the results will not be known with certainty until one month after release of this Annual Performance Plan. With the achievement of an unqualified audit opinion, we will have attained one of our major management milestones — achieving a sound financial management environment that complies with Federal laws and regulations and provides Commerce executives with timely, accurate financial information.

Preliminary data also indicate that all major bureaus will receive unqualified audit opinions on each of their five principal statements — Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, Combined Statement of Budgetary Resources, and Combined Statement of Financing. We anticipate that our auditors will find a significant reduction in the number of reportable conditions and material weaknesses in FY 1999 at the Department-level and bureau level. Under Secretary Daley’s leadership, the Department has continued to reduce the number of findings identified by the auditors each year at the bureau level — from 37 material weaknesses and 39 reportable conditions in FY 1996 to 12 material weaknesses and 26 reportable conditions in FY 1998.

Under provisions of the Government Management and Reform Act (GMRA) of 1994, the Department will complete its first Accountability Report by March 1, 2000. The Accountability Report streamlines reporting requirements of the Department by consolidating various reports (Consolidated Financial Statements, FMFIA, etc) required by Congress into a single report. The Accountability Report will provide a comprehensive picture of the Department by including financial as well as performance information. Integrating this information will enable the Department to accomplish performance-based management.

The Department continues to make significant progress in implementing the Commerce Administrative Management System (CAMS) — a single, integrated financial management system. The system includes a Core Financial System interfaced with administrative systems for small purchases, bankcards and time reporting/labor cost distribution collectively called Core CAMS. Core CAMS was successfully deployed at Census during FY 1998. An independent verification and validation study of the system implemented at Census concluded that it met departmental requirements and was as good as or better than other financial management systems available on the market. Implementation of core CAMS has now been completed at EDA for its financial assistance programs, and implementation is well underway at NOAA. NIST will complete its implementation planning for core CAMS in FY 2000, and will begin system deployment in FY 2001.

During FY 1999, we filled all remaining chief financial officer vacancies in the bureaus, specifically, the Economic Development Administration (EDA), the International Trade Administration (ITA), and the Patent and Trademark Office (PTO). We continued to strengthen our financial policies and procedures and our automated systems to ensure that they support the generation of reliable and accurate financial data. During this period, we published the Department’s Financial Management Handbooks on our homepage and held several conferences with our bureau financial officials to ensure complete understanding and agreement with our financial management objectives and approaches.

Under the Secretary’s direction, the Department continues to place an extremely high priority on its financial statements and accountability for all assets. The Department’s Chief Financial Officer, who controls 50 percent of bureau CFO performance evaluations, meets regularly with all bureau CFOs to review progress on financial statements, audit issues, and other financial matters. The Department’s “CFO Council” meets monthly and is one of the primary forums in the Department for discussion of management issues, including human resources, budget, procurement, and information technology systems, as well as financial accountability issues.

Information Technology Investments

The Department successfully met the Y2K challenge. All of the Department's systems functioned properly and, as a result, we shut down our Emergency Operations Center earlier than had been planned. A few extremely minor aberrations occurred; these involved only non-mission critical systems and were resolved within a few hours.

In September, the Department completed Y2K compliance for 100 percent of its 473 mission-critical systems. By December 22nd, all of the Department completed Y2K compliance for all of its 693 non-mission critical systems. As a result of our efforts, we completed our Department-level business continuity and contingency plans, and ensured that our telecommunications, building infrastructure, and data exchange systems would be ready. To ensure a smooth transition to the year 2000, we had approximately 50 staff on hand on New Year's Eve monitoring systems transition.

The Office of the CIO worked closely with bureau management over the last year to monitor their progress on Y2K remediation, ensure that their programs adequately addressed all necessary systems and contingencies, that business continuity plans existed for all business areas, and that work was completed on schedule.

As part of its Y2K outreach program, Commerce provided domestic Y2K technical assistance to hundreds of thousands of U.S. small and medium-sized businesses through a Y2K Help Center for Small Business and training through 1,600 workshops offered by the Department's Manufacturing Extension Program. MEP developed a customer-friendly Y2K Self Help Tool on CD-ROM, available in 11 languages, to help small and medium-sized businesses with a variety of business needs potentially affected by Y2K – systems inventory, business criticality assessment, remediation planning and management and contingency planning. Well over 600,000 copies of this tool were distributed in the U.S. and abroad. In addition, more than 6,000 attendees participated in 40 international Y2K conferences and events that the Department and its bureaus organized in 22 trading partner countries.

In 1999, the Department worked diligently to complete its effort at meeting the spirit of the Clinger-Cohen Act. Among other provisions, this Act called for agencies to oversee effective information technology planning and expenditures. Commerce's Chief Information Office has continued to implement several enhancements. These include: (a) consolidation – to achieve gains in cost and service quality, (b) standards – to promote commonality that can reduce support costs and avoid reinventing solutions to problems already solved, (c) new technologies – to achieve cost reductions by coordinating their exploration and implementation, and (d) common services – to realize savings by using common software and support methods for such activities as financial management, grants management, forms, and Web sites.

During the past year, we strengthened our information technology capital planning. Under the Department's CIO's leadership, each bureau conducted a self-assessment and examined best practices in light of its own information technology needs. We used the findings to improve our selection, control, and evaluation of prospective information technology investments. Using a Department-wide group of information technology officials, we established a rigorous and transparent process by which every proposal is evaluated on the basis of its expected contributions, risks, and costs. Projects that received a low rating were not supported in our budget process. The results improved the Department's overall planning and show every indication of translating into significant gains in the accuracy of our cost and schedule projections.

The Department supplemented its capital planning and review process with two formal mechanisms for managing our information technology acquisitions. First, we require a Delegation of Procurement Authority for every information technology contract over \$10 million. Under the authority of this delegation, our Chief Information Officer must certify that the business need exists. Secondly, the bureaus must submit business case documentation for major information technology acquisitions. The documentation must show that project management metrics and controls are in place, viable alternatives have been evaluated, and that the acquisition supports the bureau's information technology architecture.

The Department has developed a Critical Infrastructure Protection (CIP) program with help from the Critical Infrastructure Assurance Office. Through this program, the Department identified 31 infrastructure systems that met the requirements — such as national security, national economic security, and public health and safety — of Presidential Decision Directive 63 (PDD-63). We supplemented this process with an independent validation and verification that identified and ranked in priority order the top 25 percent of the Department's assets. Based on these reviews, we submitted a critical infrastructure protection plan and budget to the Office of Management and Budget.

Secretary Daley is committed to creating a truly digital department at Commerce. When he arrived in January 1997, the Department was behind the private sector in using information technology services. There was no robust infrastructure to support users, an overall inability to share and exchange data among the bureaus and the Office of the Secretary, an absence of administrative support systems, and an inability to communicate securely among employees located throughout the world.

Information technology functions throughout the Department were reorganized under the recently established position of Chief Information Officer, who reports to the Secretary. Information technology representatives from every bureau are brought together regularly to participate in rigorous reviews aimed at effectively coordinating information technology planning, seeking synergy, identifying resource needs, and monitoring progress of each of the Department's major systems.

DOC launched a "Digital Department" initiative with the hiring of a Digital Department Program Director in the summer of 1999. Within the constraints of available resources, this initiative will move Commerce from paper-based administrative systems and transactions to on-line interactions with customers and employees, similar to the advances increasingly found in the private sector. Both customers and employees will benefit from secure, accelerated, and more productive interactions in which the information flow from beginning to end of a process will be seamless and in the medium most convenient to the needs of individual users.

By the close of calendar year 1999, the Department established a secure Intranet for pilot testing in the Office of the Secretary which, among other services, provides access to several downloadable forms. We also introduced an automated Time and Attendance Reporting System which, also, is currently in pilot mode. Automation of additional applications, such as security requests and requisitions, will be introduced as budget becomes available.

By the close of calendar year 2000, our Digital Department will provide secure Intranet services to all employees throughout the Washington, D.C. metropolitan area and add additional administrative processes (specifically, an automated hiring system and the Department's information technology review system, and, if the budget permits, travel and inventory systems). The Department's public customers will have access to an Internet site organized from the customer's perspective that will facilitate access to, and analysis of, all information on a specific subject in a one-stop electronic visit.

By the close of calendar year 2001, our Digital Department will provide secure Intranet access to all Commerce employees throughout the world and significantly expand the complement of administrative processes available electronically. The network in the Office of the Secretary will have been upgraded to deliver reliable service and meet capacity requirements and employees will have standard, well-supported, state-of-the-art desktop systems.

By 2002, the implementation goals of the Digital Department will be realized — most internal processes at Commerce will be web-based and make maximum use of the Intranet. Key external processes of the Department will be electronic and make maximum use of the Internet for customer interfaces such as data collection and dissemination and business programs will continue to be re-engineered and redesigned to take advantage of new technological capabilities to more efficiently and effectively provide our products and services.

The following illustrations exemplify some of the benefits of our Digital Department initiative:

- Commerce Opportunities On-Line (COOL) is an automated, web-based vacancy announcement, application, and referral system. Through COOL, any potentially interested applicant may review open vacancy

announcements, sorted to meet his or her personal preferences, and submit an on-line application. With use of an ID and password, applicants can create, update, save, and submit applications with complete security. The system is user-friendly and is available 24 hours a day, 7 days a week. The COOL approach reduces the time it takes an applicant to apply for a position because the system eliminates the need to prepare lengthy written answers to identified knowledge, skills and abilities (KSAs) required for the position. Instead, the same information is obtained by providing yes or no answers to a series of specially prepared questions. COOL benefits the Department's managers as well, by: (a) greatly reducing the time needed to rank applicants against the KSAs for a specific position, (b) permitting on-line issuance of referral lists of eligible candidates to the selecting official, (c) facilitating e-mail communication between the selecting official and applicants, (d) making selection/non-selection designations on-line, and (e) allowing the selecting official to automatically notify the Human Resource Office when he or she has completed the selection process.

This innovative system broadens the Department's distribution of vacancy announcements to anyone who has access to the web and also reduces time lag – both in disseminating announcements to applicants as well as by providing applicants an on-line avenue for submission of their applications. These features greatly enhance the Department's potential for increasing the number of external candidates and for securing an applicant pool that more fully reflects the Nation's population. COOL was tested as a pilot program at the Department's Eastern Administrative Support Center, NOAA, and in select organizations of the Office of the Secretary. COOL will be implemented at the Census Bureau in March and subsequently at the Department's other bureaus throughout FY 2000.

- The Department's Minority Business Development Agency conceived and developed an Internet-based business resource locator system to enable minority businesses and business development practitioners to search for and locate business assistance institutions interactively on a map. The system addresses the critical need of providing minority businesses throughout the Nation with a fast and easy to use mechanism for finding public, private, educational, and nonprofit business development resources in their local area.
- NOAA re-engineered its shoreline mapping techniques to enhance the accuracy of analyses of shoreline data extracted from different types of synthetic aperture radar. The advances included development of three-dimensional approaches to shoreline extraction using synthetic aperture radar, lidar, and digital photogrammetry, and improved application of image understanding methodologies such as automatic feature extraction and sub-pixel analysis of hyperspectral data. These advances will enable NOAA to deliver more accurate and current nautical charts to professional mariners and to the port authorities responsible for managing port facilities.
- The Office of the Secretary developed HANS (Honor Awards Nomination System) – a web-based and re-engineered system that streamlined the process of nominating, reviewing, and awarding the Department's gold and silver medals. HANS allows a manager – using an Internet browser and operating from a main menu – to enter, edit, review, and approve nominations on-line. HANS also tallies voting results automatically and creates statistical reports. Prior to HANS, the system was paper-based, time-consuming, and involved the physical manipulation of a huge volume of hard copy forms that filled several large boxes.

Procurement Innovations

The Department created the first government-wide acquisition contract (GWAC) reserved specifically for small and disadvantaged businesses – the Commerce Information Technology Solutions (COMMITTS). This innovative program will award some \$1.5 billion in information technology contracts to small businesses over the next five years.

COMMITTS provides an opportunity for small, minority, and women-owned firms to tap the \$45 billion the government spends annually on information technology. According to a recent Federal Sources Report, large companies now receive a 71 percent market share of Federal information technology dollars. This is up from 57 percent in 1995. During the same period, market share for small disadvantaged business went from 30 percent to 15 percent.

Commerce created COMMITTS to reverse this trend. As a result of widespread publicity, over 1,000 firms participated in a national competition in which, ultimately, 29 firms were selected. On October 6, 1999, Deputy Secretary Robert L. Mallett briefed the President's Management Council on COMMITTS, and a formal kickoff of the program was held in November.

All tasks placed through COMMITTS are fully competed and, through the end of calendar year 1999, an average of 10 contractors responded to each offering. Average acquisition cycle time was 17 calendar days.

With authorization from the Office of Management and Budget, DOC is offering COMMITTS as an avenue for other Federal agencies to access capable firms that have been vetted and approved by Commerce. During the first two months of the program, two agencies – the Environmental Protection Agency and the Equal Employment Opportunity Commission – used the program. Several other agencies – including the Departments of Agriculture, Housing and Urban Development, Interior, Labor, and State – are actively exploring use of COMMITTS to help meet their information technology needs.

In other areas, the Department took several actions to improve acquisition management performance. We initiated the Commerce Acquisition Career Management Program. This program provides central funding and has trained 100 procurement personnel in operational procedures throughout the Department's bureaus. We prepared and disseminated the *Customer's Handbook to Procurement*, a primer to support efficient procurement practices by identifying roles and responsibilities, summarizing the procurement process, and setting lead times for various types of procurement actions. We are implementing procurement automation software for use throughout the Department. The software – Commerce Standards Acquisition and Report System (CSTARS) – will provide timely and relevant information that will support informed management decisions and facilitate the accomplishment of program missions through improved acquisition support. To broaden our focus on best practices, we are participating in the government-wide Procurement Executives Council Acquisition Workforce Committee and its steering committee. We helped launch the Government-wide Acquisition Management Intern Program and will be a sponsor of the first class of interns in FY 2000. This cross-government program will offer two-year internships with rotational assignments and 320 hours of training to develop skills and competencies. This training will help provide the leadership to replace the expected future government-wide retirement bulge of procurement executives and effectively administer the requirements of recent procurement reform.

Strength through Diversity

"Diversity transcends race, gender, religion, age, culture, disability, or sexual orientation" — reads a sign in the Commerce Department's library. That sign is a reflection of significant changes occurring in the American workplace and the Nation's population.

One management maxim holds that employers who do well in addressing diversity issues – race, gender, religion, age, culture, disability, and sexual orientation – are the ones that will excel in the years to come. Again, with a broadening of the picture, it is clear that a society which does likewise will also succeed in the years to come. One need only recall a simple statistic cited by Vice President Gore – that small business contributes over 60 percent of the new jobs in our economy – to realize that the future of our Nation's economy and our Nation's welfare will be highly dependent upon our embracing of diversity.

In recognition of these benefits, the Commerce Department has taken several steps to champion diversity – both within the Department and in serving its customers. As described above, Commerce has taken a leadership role in enhancing information technology contracting opportunities for small, minority, and women-owned firms through the innovative COMMITTS program.

In a parallel effort, the Department hosted a meeting with executives from Commerce's top contractors to discuss the importance of increasing opportunities with small, minority, and women-owned firms. As a result, prime contractors included small business subcontracting goals in the performance plans of their project managers and identified additional small businesses for subcontracting opportunities.

As another example, prior to January 1997, the Census Bureau had awarded only 3 percent of decennial contracts to minority firms. Through aggressive management, the Bureau is now awarding 28 percent to minority firms.

As one result of these efforts, the Bureau negotiated ambitious subcontracting plans with its decennial large business contractors. These negotiated plans will secure significant percentages of the subcontracting awards for small businesses (57 percent of all subcontract awards), disadvantaged businesses (42 percent of all subcontract awards), and women-owned businesses (43 percent of all subcontract awards). These plans include overlap in the awards among the three categories.

And the impacts? According to the Small Business Administration's preliminary fiscal year 1999 annual procurement preference goaling achievements report, the Commerce Department awarded over 40 percent of its total procurement dollars to small business. This performance – 40 percent of total procurement – was nearly double the government-wide goal of 23 percent. The Department's performance vis-a-vis small disadvantaged firms – 14 percent of total procurement – was nearly triple the government-wide goal of 5 percent. The Department's performance also exceeded the government-wide goal for women-owned firms. These achievements were widely recognized. The 1999 issue of the *Hispanic Business Federal Resource Guide*, for example, cited Commerce for its minority procurement efforts and the 1998-1999 edition of the *Hispanic Business Magazine* rated the Department's efforts as an "A".

Other efforts in this area include:

- **The Commerce Diversity Council**

In 1999, the Department evaluated the Diversity Council to identify opportunities for increasing its effectiveness. As a result of this study, a decision was made to restructure the Council and establish an Executive Board. The Executive Board will be chaired by the Deputy Secretary and include senior career officials from the bureaus. It will set overall policy and monitor implementation of Departmental and bureau diversity policies and programs. The restructured Diversity Council will include 19 newly appointed members representative of all affinity groups at Commerce. The Department also plans to recruit a Diversity Manager specifically to support the Diversity Council.

- **Partnering with Minority Serving Institutions**

The Department provides over a billion dollars in financial assistance annually. Approximately \$268 million is awarded to Institutions of Higher Education and, of that, about \$23 million goes to Minority Serving Institutions (MSIs)—Historically Black Colleges and Universities (HBCUs), Hispanic Serving Institutions, and Tribal Colleges and Universities.

MSIs offer an extremely effective avenue for increasing minority representation in the workforce. A measure of their importance may be seen in the following statistics. While 40 percent of African-American students receive undergraduate degrees at HBCUs, 85 percent of African-American physicians and 75 percent of African-Americans who hold doctoral degrees all received their undergraduate degrees from HBCUs.

The Department has taken several steps to expand partnership opportunities available to MSIs.

- In September 1999, the Department held a comprehensive New Opportunities Conference for MSIs. The conference highlighted programs in which colleges and universities are currently participating, such as financial assistance, technical assistance, and various cooperative arrangements that are reflected in multiple Memoranda of Agreement. Attended by more than 250 MSI representatives, the conference also sought input on ways of increasing the Department's assistance to MSIs, provided the representatives networking opportunities with senior bureau and Department officials, and offered workshops – ranging from financial assistance to partnership development and from preparing competitive applications to scientific research support opportunities and on how to access these and other Federal programs.

- To help increase opportunities, the Department is encouraging all Departmental units to determine what goals can be set for increasing financial assistance awards to, and other opportunities for, MSIs. The Department will complete this goal setting early in calendar year 2000.
- To ensure continuity of effort, the Department is taking several actions. Among these: (a) each bureau Chief Financial Officer will include the MSI goals as a part of his or her performance plan; (b) the Department will create an office or division for University Programs and Partnerships to coordinate our efforts, and (c) Commerce officials will increase their speaking engagements at MSIs.

• **Promoting Welfare-to-Work**

Under the President's Welfare-to-Work program, Secretary Daley committed the Department of Commerce to hiring 4,180 individuals – nearly 40 percent of the total Federal goal of 10,680. By December 1999, Commerce had hired 5,870 individuals – slightly more than 140 percent of our commitment.

Last September, in a move that will support an additional 6,000 to 9,000 welfare-to-work hires by the Department's Bureau of the Census during 2000, the Department of Commerce and the Department of Labor publicized the award of a \$20 million grant for the Welfare-to-Work Census 2000 Employment Project. Announcing the initiative were White House Chief of Staff John Podesta, Secretary Daley, Secretary of Labor Alexis Herman, Census Director Kenneth Prewitt, and grantee Goodwill Industries International President/CEO Fred Grandy. Through this project, Goodwill has been identifying as many as 12,000 Temporary Assistance to Needy Families (TANF) clients nationally. The grantee is also evaluating and helping as many of these clients as possible to be "test-ready" and included in the pool of potential hires available to the 520 local Census offices as enumerators, crew leaders, and clerks for the April-through-June Non-Response Follow-up period. Those former recipients who successfully complete their Census jobs will then be directed by Goodwill to permanent jobs in the private or public sector.

The large majority of our Welfare-to-Work hires are temporary employees who are engaged in supporting Census 2000. At the close of 1999, 285 — or nearly 5 percent — of our Welfare-to-Work hires were permanent employees among seven of our bureaus. The Department is establishing a goal to increase its number of permanent Welfare-to-Work employees.

• **Hispanic Employment Program**

The January 2000 Census Bureau projections indicate that Hispanics will be the Nation's largest minority group by the year 2005 and, by 2010, will number more than 41 million. The significant increase in the Hispanic population will continue to expand the absolute numbers and relative percentage of minorities in our Nation's workforce. Current data available through the Office of Personnel Management shows that Hispanics are the most severely under-represented minority group in the Federal workforce. While persons of Hispanic origin comprised 11.5 percent of the U.S. population as of June 1, 1999, Hispanics comprised only 6 percent of Federal workers and 2.4 percent of the government's senior executive employees.

On several levels, the Hispanic employment picture at the Department of Commerce falls short of representing the Hispanic population. Currently, Hispanics comprise 3.1 percent of the Department's career employees. They comprise 2.5 percent of the Department's GS-13 through GS-15 career employees and 2.9 percent of SES employees.

Secretary Daley issued an Hispanic Employment Plan in September 1999 to address this situation and build a pool of qualified Hispanic candidates in the different disciplines represented at the Department. This Plan sets forth a detailed strategy to address all aspects of human resource management, including increased outreach to the Hispanic community, greater use of Hispanic resources to assist in recruitment, and expansion of career development opportunities for those already working at the Department of Commerce.

Under the Plan, the Department has entered into a dialogue with several national Hispanic organizations,

including: the Society of Hispanic Professional Engineers, the National Council of La Raza, the League of United Latin American Citizens, the Society for the Advancement of Chicanos and Native Americans in Science, the National Association of Hispanic Federal Executives, and the National Organization for Mexican-American rights.

As part of the Hispanic Employment Plan the Department will:

- Strengthen its relationships with Hispanic Serving Institutions that have programs of study related to the Commerce mission;
- Revise its recruitment practices for Senior Executive Service (SES) positions to require that recruitment plans identify appropriate Hispanic professional organizations to be informed of vacancy announcements;
- Restructure its Upward Mobility Program to provide for 20 percent of the vacancies advertised in targeted positions being filled through this program;
- Enter into partnerships with at least five Hispanic Serving Institutions and five national Hispanic organizations to assist in reaching out to qualified candidates for inclusion in the applicant pools for positions at all levels; and
- Host a teleconference to disseminate information on our mission, programs, and career opportunities.

- **Candidate Development Program**

In January 2000, the Department's career SES comprised 304 employees. Of this group, 89.1 percent were white. African-Americans represented the majority of the balance (6.9 percent), with Hispanics and Asian Americans each comprising less than 2 percent, and American Indians/ Alaskan Natives comprising less than ½ of 1 percent.

To improve the representation of minority groups in the SES, the Department is launching a revised Candidate Development Program, which will focus on three areas. In the first area, recruitment and outreach, the Department will extend notification to include over 150 minority and women organizations, simplify application requirements, and introduce an on-line application system. In the second area, selection, the bureaus will conduct initial screenings, while a panel of SES members will conduct second round interviews, and the Department's Executive Resource Board will approve final selections. In the third area, development, Commerce SES employees will participate in a structured core training curriculum, which will include topics such as diversity, and participate in two rotational assignments – one outside the employee's area of expertise and one outside of the employee's home bureau.

In late 1999, Secretary Daley issued a new critical element relating to diversity for inclusion in the FY 2000 performance plans for managers and supervisors. This element will help foster increased support for the Department's overall diversity initiative and ensure that it is implemented throughout Commerce.

- **Other Activities**

In other efforts to foster diversity, the Department:

- Revised the criteria used for its Honor Awards Program to help ensure that employees in all occupations and at all organizational levels may be recognized for their contributions to the Department. The criteria were changed from broad descriptions of accomplishments to seven specific categories, i.e., customer service, employee development, personal and professional excellence, leadership, public service or heroism, scientific and engineering achievements, and administrative and technical support.

The Honor Awards Program has become more inclusive and representative of the Department's workforce as a result.

- Updated internal policies and procedures on racial and sexual harassment to address all forms of harassment prohibited by Federal civil rights laws. The new procedures allow for management inquiries distinct from the EEO process to determine if misconduct may have occurred that does not meet the legal definition of harassment.
- Is broadening its Alternative Dispute Resolution (ADR) process so that it will become more widely used in resolving Equal Employment Opportunity (EEO) complaints. The ADR process emphasizes self-directed resolutions as early in the dispute as possible, thereby helping to minimize conflict and promote productivity.

Managing Our Public Trust

The American citizenry has, through Congress, entrusted the Department with fulfilling its mission in a timely, efficient, and effective manner. In 1993, with passage of the Government Performance and Results Act (GPRA), Congress codified this trust by requiring each Federal agency to publish a continuing series of reports that articulate the agency's mission and major goals, a five-year strategy directed toward achieving that mission, an annual performance plan, and an annual assessment of progress in accomplishing the agency's mission and goals. The various requirements form a rigorous structure aimed at providing both Congress and the public with a complete picture of how well agencies are meeting their intended purposes.

GPRA was designed with a phased approach and fiscal year 2000 will witness the first year in which all three reports will be produced in a single year. For the Commerce Department, these include: (a) our second Strategic Plan, covering the years 2000 through 2005; (b) our third Annual Performance Plan (APP), covering FY 2001; and (c) our first Annual Program Performance Report (APPR), covering FY 1999.

To fully implement the spirit of GPRA, the Department faced the need for making significant changes such as fostering the integration of its policy, planning and budgeting processes. In January 1997, there was little interaction between the Office of the Secretary and the bureaus before the bureaus submitted their budget requests to the Department. Neither the Secretary nor the Deputy Secretary had early involvement in the process, which was paper intensive and made little use of strategic planning and performance measures.

Secretary Daley accelerated automation of the budget process and opened it up to allow for systematic interaction among key officials. Under his and the Deputy Secretary's leadership, bureau heads became active participants in making decisions that were focused on the merits of each budget proposal and its relevance in support for the Secretary's priorities. Information technology, procurement, facilities, security, and management staff were given an early opportunity to review proposals and offer recommendations. The Department strengthened its overall APP and integrated the development of the APP into the Department's budget process.

The results were impressive. Senior bureau leadership complimented the FY 2000 budget process. The Department's FY 2000 budget was submitted to OMB both on time and on CD-ROM – the first one ever submitted electronically. The integration of planning, budget, and prioritization was reflected in the Department's budget initiatives, each of which cut across multiple bureaus. OMB rated the FY 2000 APP as an example of "excellent improvement" that should be a model for other agencies. Congressional staff awarded Commerce a score of 85 – the highest score in government – for its FY 2000 APP. This success followed a year of intensive Department-wide effort to identify realistic performance goals and ways to measure and verify progress against them.

Refined and reshaped, our FY 2000 APP decreased the number of performance measures by 63 percent, thereby focusing on the most important activities. Outcome-oriented measures increased from 22 percent to 56 percent, while more than 170 process measures were dropped, thus allowing a more accurate gauge of impact and results. All of these accomplishments allowed the Department to put forward its collective best thinking and formulate sound recommendations for the use of public funds. These efforts have continued with the formulation of the Department's

FY 2001 budget request, its FY 2000 GPRA documents, and the increasingly sound operation of this cabinet agency. To exact further benefit from these efforts, the Department is now taking steps to ensure that the data to be used in measuring performance is accurate, complete, and reliable.

As a further measure of our commitment to GPRA, the Department continues to serve as the host agency for the National Academy of Public Administration's GPRA Performance Consortium. This consortium, comprising 30 Federal Departments and agencies, shares information on "best practices." As host agency, the Department plays a major coordinating role to ensure that all interested parties, in both the Executive and Legislative branches, benefit from the Consortium's efforts.

During the past year, the Department has made significant progress in managing its programs and resources to ensure the timely, efficient, and effective delivery of services. Some of our more notable achievements include:

- **NOAA Fleet Modernization**

The National Oceanic and Atmospheric Administration's (NOAA) fleet modernization was first identified as a material weakness in FY 1990. The material weakness highlighted concerns that: (a) NOAA's fleet was aging, with many ships in need of extensive maintenance and replacement, and (b) the existing policy of solely relying on in-house vessels was not necessarily the most efficient approach to meeting NOAA's data needs. We are pleased to report that the NOAA fleet modernization has been dropped from the list of material weaknesses. This success is due to the Department's continued focus on management, NOAA's improvements to its oceanographic and hydrographic ship-related data collection capability, and the impending approval for the first of four new fisheries ships.

The Department worked closely with NOAA to identify and pursue alternatives. Our program for meeting NOAA's oceanographic and hydrographic research now emphasizes a mix of charters, cooperative use of university ships, contracts for data collection, and continued operation of a limited number of NOAA vessels. Based on this broader supply of days-at-sea, we have also been able to downsize NOAA's shore support infrastructure to further reduce costs.

We are continuing to work aggressively with NOAA in seeking the least expensive and most efficient means for meeting the agency's need for fisheries research vessels. NOAA prepared a detailed data acquisition plan, which was subjected to thorough review. Funding for the first of our new fisheries research ships was included in the FY 2000 budget. We have worked diligently to coordinate our design requirements with shipyards, design agents, and partnering organizations, such as the University National Oceanographic Laboratory System.

- **National Weather Service Modernization**

The Department made significant strides in modernizing the National Weather Service (NWS). A critical factor in the modernization effort was the successful implementation of the Advanced Weather Interactive Processing System (AWIPS) software. This software provides the capability to display satellite imagery, radar data, surface observations, and forecast data at a single workstation.

Secretary Daley met a long-standing Congressional mandate that AWIPS be deployed to all 152 NWS sites and completed within a \$550 million cap. The operational test and evaluation of AWIPS that was completed in June 1999 uncovered several software deficiencies that had to be corrected before commissioning (i.e., before AWIPS can be used as the official system). NWS believes that the corrected software will enable the commissioning of AWIPS and the decommissioning of the older systems. This achievement meets a central concern raised by the IG in his original "top ten" list, issued in March 1997.

The Department is continuing to enhance the AWIPS software and expects to continue to improve our forecasts by issuing more comprehensive data and by providing increasingly extended lead times on warnings of severe weather.

• **Providing High Quality Grant Assistance**

The Department strengthened its oversight of the Department's financial assistance programs to ensure that all applicable guidelines are followed in the award and use of funds. A 1997 review of our programs by the Inspector General found that the Office of the Secretary and six bureaus administered 72 financial assistance programs that provided approximately \$1 billion annually to State and local governments, educational institutions, other organizations, and individuals. Thirty-three, or nearly half of our financial assistance programs, are classified as "full discretion," thus providing the Department maximum flexibility in their administration. These 33 programs provided more than 1,700 awards and \$802 million – or approximately 80 percent – of Commerce's financial assistance outlays in FY 1997. The Inspector General is continuing his review of each of these 33 programs, with 22 reviews completed to date. As a result of these reviews, the Department has

- (a) expanded proposal solicitation efforts,
- (b) included outside participants as proposal reviewers to increase objectivity in the selection process, and
- (c) strengthened documentation justifications for deviations from review panel recommendations.

As a further effort to promote efficient and effective use of resources, the Department has been working with NOAA to increase the number of awards granted competitively through NOAA's discretionary funding programs and to implement a rigorous solicitation process.

• **Monitoring the Department's Special Agreements**

The Department has strengthened its oversight of Interagency and Other Special Agreements. These agreements encompass a wide variety of reimbursable activities, obligations to acquire goods or services from other parties, or commit the Department or its bureaus to joint project agreements. A review by the Inspector General found that the Department had more than 4,700 of these agreements, involving more than \$1.1 billion in FY 1997. We are preparing formal policies and procedures that will specify the acceptable types of government-wide and Department-wide agreements that may be executed, the minimum requirements for consummating agreements, standard language for inclusion, and orderly review and approval policies.

• **Field Office Streamlining**

The Department reduced the number of domestic field offices by 20 percent since the fourth quarter of FY 1998.

For several decades, Commerce has maintained a field office presence in all 50 states to serve the needs of its customers. Although there have been mission changes, various reorganizations, and significant advances in technology, the Department's field structure had been little changed in more than two decades.

To improve efficiency and reduce costs, the Department worked with those of its bureaus which have a major field presence to review opportunities for streamlining and improving service to our customers. The Department considered options such as consolidation, collocation, cross-functional teaming, and cross-servicing as a means to achieving greater efficiency and effectiveness. Two other pertinent initiatives were also pursued: modernization of the National Weather Service and revising the Department's procedures for renewing field office leases. Under the new procedures, field office leases were not to be renewed absent a mission critical justification.

From the base of 747, the number of domestic field offices was reduced to a total of 591. In addition, nearly 100 domestic field offices had leases that are due to expire by the end of 2000. Through the close of calendar year 1999, the Department reviewed, and conditionally approved, 44 field office leases. To support

potential future cost savings, most of the lease renewals include options such as month-to-month renewals or 30-day non-penalty early termination provisions which may be exercised upon securing alternative quarters that are more consonant with the new streamlining policy. Each of the field offices with these provisions has been charged with identifying and exercising prospective cost-saving and streamlining opportunities. As a result, the Department anticipates further reductions in costs over the coming year.

- **Facilities Management**

The Department strengthened its oversight of bureau facilities acquisition and management. As part of our new process, the Office of the Secretary obtains firsthand knowledge or conducts on-site visits of major space requirements and their relationship to program mission. To improve our overall management oversight, we coordinated our reviews with the Inspector General.

Our recent oversight activities have included providing technical real property guidance concerning the newly reorganized NOAA Headquarters Facilities Office, NOAA line offices, and the Administrative Support Centers, which NOAA operates in support of the Department's field structure. We provided oversight and coordination of the real property needs to Census on its timely acquisition of 520 local Census offices, and other field office requirements. We have continued to provide assistance to PTO on its efforts to prepare for lease award on its solicitation for expansion/consolidation of space. Forward movement on the PTO award, however, has been on-hold pending a judicial ruling on a suit which took issue with the environmental impact assessment of the prospective relocation. This ruling is expected shortly.

- **Security**

Secretary Daley made security, and specifically the reduction of the risk of security threats, one of his top priorities. In July 1997, he commissioned a review of the Department's security operations by the inter-agency Security Policy Board (SPB). To date, the Department has implemented 62 of 66 (94 percent) of the SPB's recommendations. Accomplishments on key recommendations include: (a) reducing the number of security clearances by 40 percent to support efforts in limiting access to classified information; (b) making progress in implementing an automated program, the Security Information Management System (SIMS), which is currently tracking over 45,000 classified documents at the Secret level and above; (c) implementing a counter-intelligence program to improve protection of our sensitive but unclassified information from external threats; (d) establishing an emergency preparedness program to ensure the continuity of our operations in the event of a catastrophe; and (e) consolidating most of the Department's security personnel and assets. The Department will continue to enhance security operations by improving the guard force at the Herbert C. Hoover building, standardizing security procedures, enhancing information technology security, and implementing direct delivery of security equipment and services to our overseas offices.

- **Converting PTO to a Performance-Based Organization**

The Department and PTO are working diligently to achieve the conversion of PTO to a Performance-Based Organization (PBO) by the end of March 2000. As a PBO, the PTO is subject to policy direction by the Secretary but will be expected to increase its efficiency as a result of being given independent control over budget allocations and expenditures, personnel decisions and processes, procurements, printing, and other administrative and management functions. The conversion to PBO status, long-sought by PTO as an innovative way to improve its efficiency, was approved by Congress in November with passage of the Patent and Trademark Office Efficiency Act.

- **National Technical Information Service**

The Department's National Technical Information Service supports itself through fees charged for its products and services. Between FYs 1995 and 1998, the agency incurred a cumulative loss of \$4.8 million, which nearly exhausted its retained earnings.

Through the past year, the Department continued to address NTIS' deteriorating financial situation by supporting and supervising an aggressive cost-cutting program at the agency. These cost reduction measures included assisting in the transfer of 46 NTIS staff members to positions elsewhere in Commerce during the last quarter of FY 1999, consolidating office space, eliminating performance awards, and restricting travel. Although these and other urgent measures permitted NTIS to close FY 1999 with a balance of some \$650,000, instead of a projected deficit, NTIS' financial position remains precarious and its mission and structure outdated.

In late 1999, to address this long-term issue, the Department submitted draft legislation that would close NTIS and transfer selected functions to the Library of Congress. We testified on our proposal before the House and Senate in September and October, respectively. We are continuing a dialogue with the Library of Congress and other interested agencies and stakeholders on the details of the Department's proposal.

Conclusion

The Department is proud of its accomplishments and we look forward to building on our record of implementing solid improvements. Accountability, open reporting to the taxpayer, and emphasizing continuous improvement provide significant motivation for optimal resource use. We have relied on, and will continue to use, the management tools provided by legislation – including the Government Performance and Results Act, the Chief Financial Officers Act, the Clinger-Cohen Act, and other measures passed over the past decade. We continue to work to resolve all of the Inspector General's original "top ten" management concerns and to further enhance our record of management improvements that facilitate full accountability and maximum performance.

The Commerce Management Strategy: Our Model for Challenge and Success

Overview

During his tenure, Secretary Daley has made “effective, efficient management” a critical goal for the Department. Under Secretary Daley’s leadership, performance outcomes have become the key measures for assessing the Department’s progress in addressing management and program challenges.

As a direct result of the Secretary’s emphasis on accountability and providing the taxpayer due diligence in the use of resources, the Department has strengthened intramural communications, implemented strategic planning, and integrated policy-making into the budget process. The Commerce team is focused on full mission accomplishment, the elimination of overlap, and timely delivery of high-quality services.

The Secretary’s management philosophy and its benefits are fully consonant with the spirit of the Government Performance and Results Act (GPRA) of 1993. GPRA is directed at providing both Congress and the public with a complete picture of how well agencies are meeting their intended purposes and a rigorous commitment to continually improving performance. As a result of the Secretary’s leadership and the Department’s aggressive implementation of GPRA, many long-standing management and programmatic challenges have been resolved or are very near resolution. This progress and the continual emphasis on requiring each program to justify its contribution each day have introduced a new dynamic — a widely-shared spirit to make the best use of our resources in serving the American people.

Highlights of our accomplishments from the past year include the following:

- The Department has made great strides in preparing for the 2000 Census. Work is near completion on outreach efforts, including a publicity campaign, printing Census questionnaires in multiple languages, and aggressively seeking to hire Welfare-to-Work individuals to help administer the Census at 520 local level offices throughout the country.
- The Department has continued to improve its financial management program, and anticipates obtaining an unqualified opinion on its consolidated balance sheet for fiscal year 1999. The number of material weaknesses and reportable conditions continue to decline. For example, the Department’s efforts in identifying alternatives for obtaining hydrographic and marine data have led to the NOAA fleet modernization being dropped as a material weakness.
- The Department fully and successfully met the Y2K challenge — on all of its 473 mission-critical and 693 non-mission-critical systems.
- DOC has led the Federal government in providing an avenue for increasing the number and value of contracts for small, minority, and women-owned businesses through its new, government-wide Commerce Information Technology Solutions (COMMITTS) program.
- The Department is delivering on its ambitious commitment to foster diversity — both inside Commerce and among our customers — as a means of nourishing our Nation’s strength.
- Significant progress has been made in meeting the objectives of the Government Performance and Results Act by greatly improving the utility of our Annual Performance Plan — a gain that was recognized by both the Office of Management and Budget and Congress — and Congressional staff awarded Commerce one of the highest scores in government in 1999.
- We achieved a major milestone in our weather forecast capabilities by installing advanced workstations in the National Weather Service.

- We have improved oversight of our financial assistance programs and our facilities acquisition and management to ensure that the funds placed in our charge are well spent.
- The Department consolidated and strengthened security operations to ensure complete protection of our employees, property, and data.

2000 Decennial Census

Our top management priority at the Department of Commerce continues to be to ensure that the 2000 Census is managed effectively and efficiently. Over the past 2½ years, the Office of Inspector General (OIG) has raised concerns about the Census Bureau's readiness to undertake this enormous task. At Secretary Daley's direction, the Department has exerted a great deal of effort to ensure that the Decennial is well-managed and to address the Inspector General's concerns.

As part of its effort to boost initial response to the Census form, the Bureau designed a major publicity campaign that includes advertising in 17 different languages. The campaign will proceed in three phases, with the first phase (awareness) beginning last November. Questionnaires are printed in six languages and language guides are provided in over 40 languages. Questionnaire Assistance Centers will be established in local communities with over 15,000 paid assistants, many of whom are bilingual. Indigenous enumerators from local neighborhoods are being hired at competitive wages.

Our outreach efforts include our sponsoring the Census 2000 Partnership program, which is drawing on local and State governments, non-governmental organizations, and businesses to promote full participation in the census, help dispel myths, and explain that the answers given to the Census Bureau will be held confidential. The Bureau has also designed special census methods and procedures to improve cooperation and enumeration in hard-to-enumerate areas. Our procedures are giving the regional census centers the flexibility to target specific blocks and neighborhoods for coverage improvement.

The Bureau developed action plans for the 520 local Census offices to provide managers with effective strategies for conducting a complete and fair enumeration of all communities under their jurisdiction. These plans will be based on a detailed study of each community, identifying those that are hard-to-enumerate and recommending the specific tools that should be used to improve coverage. Once these operations are complete, the Census Bureau will use modern statistical sampling methods to conduct an Accuracy and Coverage Evaluation Survey, which will be used to produce more accurate numbers for all purposes other than apportionment.

Most elements of our plans for the 2000 decennial census were tested and evaluated in the Census 2000 Dress Rehearsal. This past August, the Department released a final report providing the results and recommendations from more than 40 evaluation studies conducted during the Dress Rehearsal. These evaluations indicate that, overall, the Dress Rehearsal was successful. Population numbers were produced on time, and the numbers, including data adjusted using modern statistical methods, compared favorably with independent benchmarks. In those operations where problems were identified, the Census Bureau modified plans for Census 2000 accordingly.

During the past three months, the Census Bureau completed the address label tape for use in addressing and labeling questionnaires for nearly 120 million housing units throughout the country. This major milestone was achieved with help from nearly half of the 39,000 governmental units in the United States that are participating in the Local Update of Census Addresses program. Moreover, the participating units encompass 85 percent of all households in the United States. We are continuing to update the Census 2000 address list periodically as we find new housing units, identify corrections, and add new construction.

All other key operations for Census 2000 are also on schedule. All major contracts have been awarded and the contractors are in place. The four data capture centers and all 520 temporary local Census offices are open. Contracts for printing the various questionnaires were awarded last March and the operation to print, address, assemble, and ship the census forms to the U.S. Postal Service or other Census Bureau locations began as scheduled in July 1999.

Department-wide Financial Management

We are extremely confident that Commerce will receive an unqualified (or “clean”) audit opinion on its Consolidated Financial Statement for FY 1999, though the results will not be known with certainty until one month after release of this Annual Performance Plan. With the achievement of an unqualified audit opinion, we will have attained one of our major management milestones — achieving a sound financial management environment that complies with Federal laws and regulations and provides Commerce executives with timely, accurate financial information.

Preliminary data also indicate that all major bureaus will receive unqualified audit opinions on each of their five principal statements — Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, Combined Statement of Budgetary Resources, and Combined Statement of Financing. We anticipate that our auditors will find a significant reduction in the number of reportable conditions and material weaknesses in FY 1999 at the Department-level and bureau level. Under Secretary Daley’s leadership, the Department has continued to reduce the number of findings identified by the auditors each year at the bureau level — from 37 material weaknesses and 39 reportable conditions in FY 1996 to 12 material weaknesses and 26 reportable conditions in FY 1998.

Under provisions of the Government Management and Reform Act (GMRA) of 1994, the Department will complete its first Accountability Report by March 1, 2000. The Accountability Report streamlines reporting requirements of the Department by consolidating various reports (Consolidated Financial Statements, FMFIA, etc) required by Congress into a single report. The Accountability Report will provide a comprehensive picture of the Department by including financial as well as performance information. Integrating this information will enable the Department to accomplish performance-based management.

The Department continues to make significant progress in implementing the Commerce Administrative Management System (CAMS) — a single, integrated financial management system. The system includes a Core Financial System interfaced with administrative systems for small purchases, bankcards and time reporting/labor cost distribution collectively called Core CAMS. Core CAMS was successfully deployed at Census during FY 1998. An independent verification and validation study of the system implemented at Census concluded that it met departmental requirements and was as good as or better than other financial management systems available on the market. Implementation of core CAMS has now been completed at EDA for its financial assistance programs, and implementation is well underway at NOAA. NIST will complete its implementation planning for core CAMS in FY 2000, and will begin system deployment in FY 2001.

During FY 1999, we filled all remaining chief financial officer vacancies in the bureaus, specifically, the Economic Development Administration (EDA), the International Trade Administration (ITA), and the Patent and Trademark Office (PTO). We continued to strengthen our financial policies and procedures and our automated systems to ensure that they support the generation of reliable and accurate financial data. During this period, we published the Department’s Financial Management Handbooks on our homepage and held several conferences with our bureau financial officials to ensure complete understanding and agreement with our financial management objectives and approaches.

Under the Secretary’s direction, the Department continues to place an extremely high priority on its financial statements and accountability for all assets. The Department’s Chief Financial Officer, who controls 50 percent of bureau CFO performance evaluations, meets regularly with all bureau CFOs to review progress on financial statements, audit issues, and other financial matters. The Department’s “CFO Council” meets monthly and is one of the primary forums in the Department for discussion of management issues, including human resources, budget, procurement, and information technology systems, as well as financial accountability issues.

Information Technology Investments

The Department successfully met the Y2K challenge. All of the Department's systems functioned properly and, as a result, we shut down our Emergency Operations Center earlier than had been planned. A few extremely minor aberrations occurred; these involved only non-mission critical systems and were resolved within a few hours.

In September, the Department completed Y2K compliance for 100 percent of its 473 mission-critical systems. By December 22nd, all of the Department completed Y2K compliance for all of its 693 non-mission critical systems. As a result of our efforts, we completed our Department-level business continuity and contingency plans, and ensured that our telecommunications, building infrastructure, and data exchange systems would be ready. To ensure a smooth transition to the year 2000, we had approximately 50 staff on hand on New Year's Eve monitoring systems transition.

The Office of the CIO worked closely with bureau management over the last year to monitor their progress on Y2K remediation, ensure that their programs adequately addressed all necessary systems and contingencies, that business continuity plans existed for all business areas, and that work was completed on schedule.

As part of its Y2K outreach program, Commerce provided domestic Y2K technical assistance to hundreds of thousands of U.S. small and medium-sized businesses through a Y2K Help Center for Small Business and training through 1,600 workshops offered by the Department's Manufacturing Extension Program. MEP developed a customer-friendly Y2K Self Help Tool on CD-ROM, available in 11 languages, to help small and medium-sized businesses with a variety of business needs potentially affected by Y2K – systems inventory, business criticality assessment, remediation planning and management and contingency planning. Well over 600,000 copies of this tool were distributed in the U.S. and abroad. In addition, more than 6,000 attendees participated in 40 international Y2K conferences and events that the Department and its bureaus organized in 22 trading partner countries.

In 1999, the Department worked diligently to complete its effort at meeting the spirit of the Clinger-Cohen Act. Among other provisions, this Act called for agencies to oversee effective information technology planning and expenditures. Commerce's Chief Information Office has continued to implement several enhancements. These include: (a) consolidation – to achieve gains in cost and service quality, (b) standards – to promote commonality that can reduce support costs and avoid reinventing solutions to problems already solved, (c) new technologies – to achieve cost reductions by coordinating their exploration and implementation, and (d) common services – to realize savings by using common software and support methods for such activities as financial management, grants management, forms, and Web sites.

During the past year, we strengthened our information technology capital planning. Under the Department's CIO's leadership, each bureau conducted a self-assessment and examined best practices in light of its own information technology needs. We used the findings to improve our selection, control, and evaluation of prospective information technology investments. Using a Department-wide group of information technology officials, we established a rigorous and transparent process by which every proposal is evaluated on the basis of its expected contributions, risks, and costs. Projects that received a low rating were not supported in our budget process. The results improved the Department's overall planning and show every indication of translating into significant gains in the accuracy of our cost and schedule projections.

The Department supplemented its capital planning and review process with two formal mechanisms for managing our information technology acquisitions. First, we require a Delegation of Procurement Authority for every information technology contract over \$10 million. Under the authority of this delegation, our Chief Information Officer must certify that the business need exists. Secondly, the bureaus must submit business case documentation for major information technology acquisitions. The documentation must show that project management metrics and controls are in place, viable alternatives have been evaluated, and that the acquisition supports the bureau's information technology architecture.

The Department has developed a Critical Infrastructure Protection (CIP) program with help from the Critical Infrastructure Assurance Office. Through this program, the Department identified 31 infrastructure systems that met the requirements — such as national security, national economic security, and public health and safety — of Presidential Decision Directive 63 (PDD-63). We supplemented this process with an independent validation and verification that identified and ranked in priority order the top 25 percent of the Department's assets. Based on these reviews, we submitted a critical infrastructure protection plan and budget to the Office of Management and Budget.

Secretary Daley is committed to creating a truly digital department at Commerce. When he arrived in January 1997, the Department was behind the private sector in using information technology services. There was no robust infrastructure to support users, an overall inability to share and exchange data among the bureaus and the Office of the Secretary, an absence of administrative support systems, and an inability to communicate securely among employees located throughout the world.

Information technology functions throughout the Department were reorganized under the recently established position of Chief Information Officer, who reports to the Secretary. Information technology representatives from every bureau are brought together regularly to participate in rigorous reviews aimed at effectively coordinating information technology planning, seeking synergy, identifying resource needs, and monitoring progress of each of the Department's major systems.

DOC launched a "Digital Department" initiative with the hiring of a Digital Department Program Director in the summer of 1999. Within the constraints of available resources, this initiative will move Commerce from paper-based administrative systems and transactions to on-line interactions with customers and employees, similar to the advances increasingly found in the private sector. Both customers and employees will benefit from secure, accelerated, and more productive interactions in which the information flow from beginning to end of a process will be seamless and in the medium most convenient to the needs of individual users.

By the close of calendar year 1999, the Department established a secure Intranet for pilot testing in the Office of the Secretary which, among other services, provides access to several downloadable forms. We also introduced an automated Time and Attendance Reporting System which, also, is currently in pilot mode. Automation of additional applications, such as security requests and requisitions, will be introduced as budget becomes available.

By the close of calendar year 2000, our Digital Department will provide secure Intranet services to all employees throughout the Washington, D.C. metropolitan area and add additional administrative processes (specifically, an automated hiring system and the Department's information technology review system, and, if the budget permits, travel and inventory systems). The Department's public customers will have access to an Internet site organized from the customer's perspective that will facilitate access to, and analysis of, all information on a specific subject in a one-stop electronic visit.

By the close of calendar year 2001, our Digital Department will provide secure Intranet access to all Commerce employees throughout the world and significantly expand the complement of administrative processes available electronically. The network in the Office of the Secretary will have been upgraded to deliver reliable service and meet capacity requirements and employees will have standard, well-supported, state-of-the-art desktop systems.

By 2002, the implementation goals of the Digital Department will be realized — most internal processes at Commerce will be web-based and make maximum use of the Intranet. Key external processes of the Department will be electronic and make maximum use of the Internet for customer interfaces such as data collection and dissemination and business programs will continue to be re-engineered and redesigned to take advantage of new technological capabilities to more efficiently and effectively provide our products and services.

The following illustrations exemplify some of the benefits of our Digital Department initiative:

- Commerce Opportunities On-Line (COOL) is an automated, web-based vacancy announcement, application, and referral system. Through COOL, any potentially interested applicant may review open vacancy

announcements, sorted to meet his or her personal preferences, and submit an on-line application. With use of an ID and password, applicants can create, update, save, and submit applications with complete security. The system is user-friendly and is available 24 hours a day, 7 days a week. The COOL approach reduces the time it takes an applicant to apply for a position because the system eliminates the need to prepare lengthy written answers to identified knowledge, skills and abilities (KSAs) required for the position. Instead, the same information is obtained by providing yes or no answers to a series of specially prepared questions. COOL benefits the Department's managers as well, by: (a) greatly reducing the time needed to rank applicants against the KSAs for a specific position, (b) permitting on-line issuance of referral lists of eligible candidates to the selecting official, (c) facilitating e-mail communication between the selecting official and applicants, (d) making selection/non-selection designations on-line, and (e) allowing the selecting official to automatically notify the Human Resource Office when he or she has completed the selection process.

This innovative system broadens the Department's distribution of vacancy announcements to anyone who has access to the web and also reduces time lag – both in disseminating announcements to applicants as well as by providing applicants an on-line avenue for submission of their applications. These features greatly enhance the Department's potential for increasing the number of external candidates and for securing an applicant pool that more fully reflects the Nation's population. COOL was tested as a pilot program at the Department's Eastern Administrative Support Center, NOAA, and in select organizations of the Office of the Secretary. COOL will be implemented at the Census Bureau in March and subsequently at the Department's other bureaus throughout FY 2000.

- The Department's Minority Business Development Agency conceived and developed an Internet-based business resource locator system to enable minority businesses and business development practitioners to search for and locate business assistance institutions interactively on a map. The system addresses the critical need of providing minority businesses throughout the Nation with a fast and easy to use mechanism for finding public, private, educational, and nonprofit business development resources in their local area.
- NOAA re-engineered its shoreline mapping techniques to enhance the accuracy of analyses of shoreline data extracted from different types of synthetic aperture radar. The advances included development of three-dimensional approaches to shoreline extraction using synthetic aperture radar, lidar, and digital photogrammetry, and improved application of image understanding methodologies such as automatic feature extraction and sub-pixel analysis of hyperspectral data. These advances will enable NOAA to deliver more accurate and current nautical charts to professional mariners and to the port authorities responsible for managing port facilities.
- The Office of the Secretary developed HANS (Honor Awards Nomination System) – a web-based and re-engineered system that streamlined the process of nominating, reviewing, and awarding the Department's gold and silver medals. HANS allows a manager – using an Internet browser and operating from a main menu – to enter, edit, review, and approve nominations on-line. HANS also tallies voting results automatically and creates statistical reports. Prior to HANS, the system was paper-based, time-consuming, and involved the physical manipulation of a huge volume of hard copy forms that filled several large boxes.

Procurement Innovations

The Department created the first government-wide acquisition contract (GWAC) reserved specifically for small and disadvantaged businesses – the Commerce Information Technology Solutions (COMMITTS). This innovative program will award some \$1.5 billion in information technology contracts to small businesses over the next five years.

COMMITTS provides an opportunity for small, minority, and women-owned firms to tap the \$45 billion the government spends annually on information technology. According to a recent Federal Sources Report, large companies now receive a 71 percent market share of Federal information technology dollars. This is up from 57 percent in 1995. During the same period, market share for small disadvantaged business went from 30 percent to 15 percent.

Commerce created COMMITTS to reverse this trend. As a result of widespread publicity, over 1,000 firms participated in a national competition in which, ultimately, 29 firms were selected. On October 6, 1999, Deputy Secretary Robert L. Mallett briefed the President's Management Council on COMMITTS, and a formal kickoff of the program was held in November.

All tasks placed through COMMITTS are fully competed and, through the end of calendar year 1999, an average of 10 contractors responded to each offering. Average acquisition cycle time was 17 calendar days.

With authorization from the Office of Management and Budget, DOC is offering COMMITTS as an avenue for other Federal agencies to access capable firms that have been vetted and approved by Commerce. During the first two months of the program, two agencies – the Environmental Protection Agency and the Equal Employment Opportunity Commission – used the program. Several other agencies – including the Departments of Agriculture, Housing and Urban Development, Interior, Labor, and State – are actively exploring use of COMMITTS to help meet their information technology needs.

In other areas, the Department took several actions to improve acquisition management performance. We initiated the Commerce Acquisition Career Management Program. This program provides central funding and has trained 100 procurement personnel in operational procedures throughout the Department's bureaus. We prepared and disseminated the *Customer's Handbook to Procurement*, a primer to support efficient procurement practices by identifying roles and responsibilities, summarizing the procurement process, and setting lead times for various types of procurement actions. We are implementing procurement automation software for use throughout the Department. The software – Commerce Standards Acquisition and Report System (CSTARS) – will provide timely and relevant information that will support informed management decisions and facilitate the accomplishment of program missions through improved acquisition support. To broaden our focus on best practices, we are participating in the government-wide Procurement Executives Council Acquisition Workforce Committee and its steering committee. We helped launch the Government-wide Acquisition Management Intern Program and will be a sponsor of the first class of interns in FY 2000. This cross-government program will offer two-year internships with rotational assignments and 320 hours of training to develop skills and competencies. This training will help provide the leadership to replace the expected future government-wide retirement bulge of procurement executives and effectively administer the requirements of recent procurement reform.

Strength through Diversity

"Diversity transcends race, gender, religion, age, culture, disability, or sexual orientation" — reads a sign in the Commerce Department's library. That sign is a reflection of significant changes occurring in the American workplace and the Nation's population.

One management maxim holds that employers who do well in addressing diversity issues – race, gender, religion, age, culture, disability, and sexual orientation – are the ones that will excel in the years to come. Again, with a broadening of the picture, it is clear that a society which does likewise will also succeed in the years to come. One need only recall a simple statistic cited by Vice President Gore – that small business contributes over 60 percent of the new jobs in our economy – to realize that the future of our Nation's economy and our Nation's welfare will be highly dependent upon our embracing of diversity.

In recognition of these benefits, the Commerce Department has taken several steps to champion diversity – both within the Department and in serving its customers. As described above, Commerce has taken a leadership role in enhancing information technology contracting opportunities for small, minority, and women-owned firms through the innovative COMMITTS program.

In a parallel effort, the Department hosted a meeting with executives from Commerce's top contractors to discuss the importance of increasing opportunities with small, minority, and women-owned firms. As a result, prime contractors included small business subcontracting goals in the performance plans of their project managers and identified additional small businesses for subcontracting opportunities.

As another example, prior to January 1997, the Census Bureau had awarded only 3 percent of decennial contracts to minority firms. Through aggressive management, the Bureau is now awarding 28 percent to minority firms.

As one result of these efforts, the Bureau negotiated ambitious subcontracting plans with its decennial large business contractors. These negotiated plans will secure significant percentages of the subcontracting awards for small businesses (57 percent of all subcontract awards), disadvantaged businesses (42 percent of all subcontract awards), and women-owned businesses (43 percent of all subcontract awards). These plans include overlap in the awards among the three categories.

And the impacts? According to the Small Business Administration's preliminary fiscal year 1999 annual procurement preference goaling achievements report, the Commerce Department awarded over 40 percent of its total procurement dollars to small business. This performance – 40 percent of total procurement – was nearly double the government-wide goal of 23 percent. The Department's performance vis-a-vis small disadvantaged firms – 14 percent of total procurement – was nearly triple the government-wide goal of 5 percent. The Department's performance also exceeded the government-wide goal for women-owned firms. These achievements were widely recognized. The 1999 issue of the *Hispanic Business Federal Resource Guide*, for example, cited Commerce for its minority procurement efforts and the 1998-1999 edition of the *Hispanic Business Magazine* rated the Department's efforts as an "A".

Other efforts in this area include:

- **The Commerce Diversity Council**

In 1999, the Department evaluated the Diversity Council to identify opportunities for increasing its effectiveness. As a result of this study, a decision was made to restructure the Council and establish an Executive Board. The Executive Board will be chaired by the Deputy Secretary and include senior career officials from the bureaus. It will set overall policy and monitor implementation of Departmental and bureau diversity policies and programs. The restructured Diversity Council will include 19 newly appointed members representative of all affinity groups at Commerce. The Department also plans to recruit a Diversity Manager specifically to support the Diversity Council.

- **Partnering with Minority Serving Institutions**

The Department provides over a billion dollars in financial assistance annually. Approximately \$268 million is awarded to Institutions of Higher Education and, of that, about \$23 million goes to Minority Serving Institutions (MSIs)—Historically Black Colleges and Universities (HBCUs), Hispanic Serving Institutions, and Tribal Colleges and Universities.

MSIs offer an extremely effective avenue for increasing minority representation in the workforce. A measure of their importance may be seen in the following statistics. While 40 percent of African-American students receive undergraduate degrees at HBCUs, 85 percent of African-American physicians and 75 percent of African-Americans who hold doctoral degrees all received their undergraduate degrees from HBCUs.

The Department has taken several steps to expand partnership opportunities available to MSIs.

- In September 1999, the Department held a comprehensive New Opportunities Conference for MSIs. The conference highlighted programs in which colleges and universities are currently participating, such as financial assistance, technical assistance, and various cooperative arrangements that are reflected in multiple Memoranda of Agreement. Attended by more than 250 MSI representatives, the conference also sought input on ways of increasing the Department's assistance to MSIs, provided the representatives networking opportunities with senior bureau and Department officials, and offered workshops – ranging from financial assistance to partnership development and from preparing competitive applications to scientific research support opportunities and on how to access these and other Federal programs.

- To help increase opportunities, the Department is encouraging all Departmental units to determine what goals can be set for increasing financial assistance awards to, and other opportunities for, MSIs. The Department will complete this goal setting early in calendar year 2000.
- To ensure continuity of effort, the Department is taking several actions. Among these: (a) each bureau Chief Financial Officer will include the MSI goals as a part of his or her performance plan; (b) the Department will create an office or division for University Programs and Partnerships to coordinate our efforts, and (c) Commerce officials will increase their speaking engagements at MSIs.

• **Promoting Welfare-to-Work**

Under the President's Welfare-to-Work program, Secretary Daley committed the Department of Commerce to hiring 4,180 individuals – nearly 40 percent of the total Federal goal of 10,680. By December 1999, Commerce had hired 5,870 individuals – slightly more than 140 percent of our commitment.

Last September, in a move that will support an additional 6,000 to 9,000 welfare-to-work hires by the Department's Bureau of the Census during 2000, the Department of Commerce and the Department of Labor publicized the award of a \$20 million grant for the Welfare-to-Work Census 2000 Employment Project. Announcing the initiative were White House Chief of Staff John Podesta, Secretary Daley, Secretary of Labor Alexis Herman, Census Director Kenneth Prewitt, and grantee Goodwill Industries International President/CEO Fred Grandy. Through this project, Goodwill has been identifying as many as 12,000 Temporary Assistance to Needy Families (TANF) clients nationally. The grantee is also evaluating and helping as many of these clients as possible to be "test-ready" and included in the pool of potential hires available to the 520 local Census offices as enumerators, crew leaders, and clerks for the April-through-June Non-Response Follow-up period. Those former recipients who successfully complete their Census jobs will then be directed by Goodwill to permanent jobs in the private or public sector.

The large majority of our Welfare-to-Work hires are temporary employees who are engaged in supporting Census 2000. At the close of 1999, 285 — or nearly 5 percent — of our Welfare-to-Work hires were permanent employees among seven of our bureaus. The Department is establishing a goal to increase its number of permanent Welfare-to-Work employees.

• **Hispanic Employment Program**

The January 2000 Census Bureau projections indicate that Hispanics will be the Nation's largest minority group by the year 2005 and, by 2010, will number more than 41 million. The significant increase in the Hispanic population will continue to expand the absolute numbers and relative percentage of minorities in our Nation's workforce. Current data available through the Office of Personnel Management shows that Hispanics are the most severely under-represented minority group in the Federal workforce. While persons of Hispanic origin comprised 11.5 percent of the U.S. population as of June 1, 1999, Hispanics comprised only 6 percent of Federal workers and 2.4 percent of the government's senior executive employees.

On several levels, the Hispanic employment picture at the Department of Commerce falls short of representing the Hispanic population. Currently, Hispanics comprise 3.1 percent of the Department's career employees. They comprise 2.5 percent of the Department's GS-13 through GS-15 career employees and 2.9 percent of SES employees.

Secretary Daley issued an Hispanic Employment Plan in September 1999 to address this situation and build a pool of qualified Hispanic candidates in the different disciplines represented at the Department. This Plan sets forth a detailed strategy to address all aspects of human resource management, including increased outreach to the Hispanic community, greater use of Hispanic resources to assist in recruitment, and expansion of career development opportunities for those already working at the Department of Commerce.

Under the Plan, the Department has entered into a dialogue with several national Hispanic organizations,

including: the Society of Hispanic Professional Engineers, the National Council of La Raza, the League of United Latin American Citizens, the Society for the Advancement of Chicanos and Native Americans in Science, the National Association of Hispanic Federal Executives, and the National Organization for Mexican-American rights.

As part of the Hispanic Employment Plan the Department will:

- Strengthen its relationships with Hispanic Serving Institutions that have programs of study related to the Commerce mission;
 - Revise its recruitment practices for Senior Executive Service (SES) positions to require that recruitment plans identify appropriate Hispanic professional organizations to be informed of vacancy announcements;
 - Restructure its Upward Mobility Program to provide for 20 percent of the vacancies advertised in targeted positions being filled through this program;
 - Enter into partnerships with at least five Hispanic Serving Institutions and five national Hispanic organizations to assist in reaching out to qualified candidates for inclusion in the applicant pools for positions at all levels; and
 - Host a teleconference to disseminate information on our mission, programs, and career opportunities.
- **Candidate Development Program**

In January 2000, the Department's career SES comprised 304 employees. Of this group, 89.1 percent were white. African-Americans represented the majority of the balance (6.9 percent), with Hispanics and Asian Americans each comprising less than 2 percent, and American Indians/ Alaskan Natives comprising less than ½ of 1 percent.

To improve the representation of minority groups in the SES, the Department is launching a revised Candidate Development Program, which will focus on three areas. In the first area, recruitment and outreach, the Department will extend notification to include over 150 minority and women organizations, simplify application requirements, and introduce an on-line application system. In the second area, selection, the bureaus will conduct initial screenings, while a panel of SES members will conduct second round interviews, and the Department's Executive Resource Board will approve final selections. In the third area, development, Commerce SES employees will participate in a structured core training curriculum, which will include topics such as diversity, and participate in two rotational assignments – one outside the employee's area of expertise and one outside of the employee's home bureau.

In late 1999, Secretary Daley issued a new critical element relating to diversity for inclusion in the FY 2000 performance plans for managers and supervisors. This element will help foster increased support for the Department's overall diversity initiative and ensure that it is implemented throughout Commerce.

• **Other Activities**

In other efforts to foster diversity, the Department:

- Revised the criteria used for its Honor Awards Program to help ensure that employees in all occupations and at all organizational levels may be recognized for their contributions to the Department. The criteria were changed from broad descriptions of accomplishments to seven specific categories, i.e., customer service, employee development, personal and professional excellence, leadership, public service or heroism, scientific and engineering achievements, and administrative and technical support.

The Honor Awards Program has become more inclusive and representative of the Department's workforce as a result.

- Updated internal policies and procedures on racial and sexual harassment to address all forms of harassment prohibited by Federal civil rights laws. The new procedures allow for management inquiries distinct from the EEO process to determine if misconduct may have occurred that does not meet the legal definition of harassment.
- Is broadening its Alternative Dispute Resolution (ADR) process so that it will become more widely used in resolving Equal Employment Opportunity (EEO) complaints. The ADR process emphasizes self-directed resolutions as early in the dispute as possible, thereby helping to minimize conflict and promote productivity.

Managing Our Public Trust

The American citizenry has, through Congress, entrusted the Department with fulfilling its mission in a timely, efficient, and effective manner. In 1993, with passage of the Government Performance and Results Act (GPRA), Congress codified this trust by requiring each Federal agency to publish a continuing series of reports that articulate the agency's mission and major goals, a five-year strategy directed toward achieving that mission, an annual performance plan, and an annual assessment of progress in accomplishing the agency's mission and goals. The various requirements form a rigorous structure aimed at providing both Congress and the public with a complete picture of how well agencies are meeting their intended purposes.

GPRA was designed with a phased approach and fiscal year 2000 will witness the first year in which all three reports will be produced in a single year. For the Commerce Department, these include: (a) our second Strategic Plan, covering the years 2000 through 2005; (b) our third Annual Performance Plan (APP), covering FY 2001; and (c) our first Annual Program Performance Report (APPR), covering FY 1999.

To fully implement the spirit of GPRA, the Department faced the need for making significant changes such as fostering the integration of its policy, planning and budgeting processes. In January 1997, there was little interaction between the Office of the Secretary and the bureaus before the bureaus submitted their budget requests to the Department. Neither the Secretary nor the Deputy Secretary had early involvement in the process, which was paper intensive and made little use of strategic planning and performance measures.

Secretary Daley accelerated automation of the budget process and opened it up to allow for systematic interaction among key officials. Under his and the Deputy Secretary's leadership, bureau heads became active participants in making decisions that were focused on the merits of each budget proposal and its relevance in support for the Secretary's priorities. Information technology, procurement, facilities, security, and management staff were given an early opportunity to review proposals and offer recommendations. The Department strengthened its overall APP and integrated the development of the APP into the Department's budget process.

The results were impressive. Senior bureau leadership complimented the FY 2000 budget process. The Department's FY 2000 budget was submitted to OMB both on time and on CD-ROM – the first one ever submitted electronically. The integration of planning, budget, and prioritization was reflected in the Department's budget initiatives, each of which cut across multiple bureaus. OMB rated the FY 2000 APP as an example of "excellent improvement" that should be a model for other agencies. Congressional staff awarded Commerce a score of 85 – the highest score in government – for its FY 2000 APP. This success followed a year of intensive Department-wide effort to identify realistic performance goals and ways to measure and verify progress against them.

Refined and reshaped, our FY 2000 APP decreased the number of performance measures by 63 percent, thereby focusing on the most important activities. Outcome-oriented measures increased from 22 percent to 56 percent, while more than 170 process measures were dropped, thus allowing a more accurate gauge of impact and results. All of these accomplishments allowed the Department to put forward its collective best thinking and formulate sound recommendations for the use of public funds. These efforts have continued with the formulation of the Department's

FY 2001 budget request, its FY 2000 GPRA documents, and the increasingly sound operation of this cabinet agency. To exact further benefit from these efforts, the Department is now taking steps to ensure that the data to be used in measuring performance is accurate, complete, and reliable.

As a further measure of our commitment to GPRA, the Department continues to serve as the host agency for the National Academy of Public Administration's GPRA Performance Consortium. This consortium, comprising 30 Federal Departments and agencies, shares information on "best practices." As host agency, the Department plays a major coordinating role to ensure that all interested parties, in both the Executive and Legislative branches, benefit from the Consortium's efforts.

During the past year, the Department has made significant progress in managing its programs and resources to ensure the timely, efficient, and effective delivery of services. Some of our more notable achievements include:

- **NOAA Fleet Modernization**

The National Oceanic and Atmospheric Administration's (NOAA) fleet modernization was first identified as a material weakness in FY 1990. The material weakness highlighted concerns that: (a) NOAA's fleet was aging, with many ships in need of extensive maintenance and replacement, and (b) the existing policy of solely relying on in-house vessels was not necessarily the most efficient approach to meeting NOAA's data needs. We are pleased to report that the NOAA fleet modernization has been dropped from the list of material weaknesses. This success is due to the Department's continued focus on management, NOAA's improvements to its oceanographic and hydrographic ship-related data collection capability, and the impending approval for the first of four new fisheries ships.

The Department worked closely with NOAA to identify and pursue alternatives. Our program for meeting NOAA's oceanographic and hydrographic research now emphasizes a mix of charters, cooperative use of university ships, contracts for data collection, and continued operation of a limited number of NOAA vessels. Based on this broader supply of days-at-sea, we have also been able to downsize NOAA's shore support infrastructure to further reduce costs.

We are continuing to work aggressively with NOAA in seeking the least expensive and most efficient means for meeting the agency's need for fisheries research vessels. NOAA prepared a detailed data acquisition plan, which was subjected to thorough review. Funding for the first of our new fisheries research ships was included in the FY 2000 budget. We have worked diligently to coordinate our design requirements with shipyards, design agents, and partnering organizations, such as the University National Oceanographic Laboratory System.

- **National Weather Service Modernization**

The Department made significant strides in modernizing the National Weather Service (NWS). A critical factor in the modernization effort was the successful implementation of the Advanced Weather Interactive Processing System (AWIPS) software. This software provides the capability to display satellite imagery, radar data, surface observations, and forecast data at a single workstation.

Secretary Daley met a long-standing Congressional mandate that AWIPS be deployed to all 152 NWS sites and completed within a \$550 million cap. The operational test and evaluation of AWIPS that was completed in June 1999 uncovered several software deficiencies that had to be corrected before commissioning (i.e., before AWIPS can be used as the official system). NWS believes that the corrected software will enable the commissioning of AWIPS and the decommissioning of the older systems. This achievement meets a central concern raised by the IG in his original "top ten" list, issued in March 1997.

The Department is continuing to enhance the AWIPS software and expects to continue to improve our forecasts by issuing more comprehensive data and by providing increasingly extended lead times on warnings of severe weather.

• Providing High Quality Grant Assistance

The Department strengthened its oversight of the Department's financial assistance programs to ensure that all applicable guidelines are followed in the award and use of funds. A 1997 review of our programs by the Inspector General found that the Office of the Secretary and six bureaus administered 72 financial assistance programs that provided approximately \$1 billion annually to State and local governments, educational institutions, other organizations, and individuals. Thirty-three, or nearly half of our financial assistance programs, are classified as "full discretion," thus providing the Department maximum flexibility in their administration. These 33 programs provided more than 1,700 awards and \$802 million – or approximately 80 percent – of Commerce's financial assistance outlays in FY 1997. The Inspector General is continuing his review of each of these 33 programs, with 22 reviews completed to date. As a result of these reviews, the Department has

- (a) expanded proposal solicitation efforts,
- (b) included outside participants as proposal reviewers to increase objectivity in the selection process, and
- (c) strengthened documentation justifications for deviations from review panel recommendations.

As a further effort to promote efficient and effective use of resources, the Department has been working with NOAA to increase the number of awards granted competitively through NOAA's discretionary funding programs and to implement a rigorous solicitation process.

• Monitoring the Department's Special Agreements

The Department has strengthened its oversight of Interagency and Other Special Agreements. These agreements encompass a wide variety of reimbursable activities, obligations to acquire goods or services from other parties, or commit the Department or its bureaus to joint project agreements. A review by the Inspector General found that the Department had more than 4,700 of these agreements, involving more than \$1.1 billion in FY 1997. We are preparing formal policies and procedures that will specify the acceptable types of government-wide and Department-wide agreements that may be executed, the minimum requirements for consummating agreements, standard language for inclusion, and orderly review and approval policies.

• Field Office Streamlining

The Department reduced the number of domestic field offices by 20 percent since the fourth quarter of FY 1998.

For several decades, Commerce has maintained a field office presence in all 50 states to serve the needs of its customers. Although there have been mission changes, various reorganizations, and significant advances in technology, the Department's field structure had been little changed in more than two decades.

To improve efficiency and reduce costs, the Department worked with those of its bureaus which have a major field presence to review opportunities for streamlining and improving service to our customers. The Department considered options such as consolidation, collocation, cross-functional teaming, and cross-servicing as a means to achieving greater efficiency and effectiveness. Two other pertinent initiatives were also pursued: modernization of the National Weather Service and revising the Department's procedures for renewing field office leases. Under the new procedures, field office leases were not to be renewed absent a mission critical justification.

From the base of 747, the number of domestic field offices was reduced to a total of 591. In addition, nearly 100 domestic field offices had leases that are due to expire by the end of 2000. Through the close of calendar year 1999, the Department reviewed, and conditionally approved, 44 field office leases. To support

potential future cost savings, most of the lease renewals include options such as month-to-month renewals or 30-day non-penalty early termination provisions which may be exercised upon securing alternative quarters that are more consonant with the new streamlining policy. Each of the field offices with these provisions has been charged with identifying and exercising prospective cost-saving and streamlining opportunities. As a result, the Department anticipates further reductions in costs over the coming year.

- **Facilities Management**

The Department strengthened its oversight of bureau facilities acquisition and management. As part of our new process, the Office of the Secretary obtains firsthand knowledge or conducts on-site visits of major space requirements and their relationship to program mission. To improve our overall management oversight, we coordinated our reviews with the Inspector General.

Our recent oversight activities have included providing technical real property guidance concerning the newly reorganized NOAA Headquarters Facilities Office, NOAA line offices, and the Administrative Support Centers, which NOAA operates in support of the Department's field structure. We provided oversight and coordination of the real property needs to Census on its timely acquisition of 520 local Census offices, and other field office requirements. We have continued to provide assistance to PTO on its efforts to prepare for lease award on its solicitation for expansion/consolidation of space. Forward movement on the PTO award, however, has been on-hold pending a judicial ruling on a suit which took issue with the environmental impact assessment of the prospective relocation. This ruling is expected shortly.

- **Security**

Secretary Daley made security, and specifically the reduction of the risk of security threats, one of his top priorities. In July 1997, he commissioned a review of the Department's security operations by the inter-agency Security Policy Board (SPB). To date, the Department has implemented 62 of 66 (94 percent) of the SPB's recommendations. Accomplishments on key recommendations include: (a) reducing the number of security clearances by 40 percent to support efforts in limiting access to classified information; (b) making progress in implementing an automated program, the Security Information Management System (SIMS), which is currently tracking over 45,000 classified documents at the Secret level and above; (c) implementing a counter-intelligence program to improve protection of our sensitive but unclassified information from external threats; (d) establishing an emergency preparedness program to ensure the continuity of our operations in the event of a catastrophe; and (e) consolidating most of the Department's security personnel and assets. The Department will continue to enhance security operations by improving the guard force at the Herbert C. Hoover building, standardizing security procedures, enhancing information technology security, and implementing direct delivery of security equipment and services to our overseas offices.

- **Converting PTO to a Performance-Based Organization**

The Department and PTO are working diligently to achieve the conversion of PTO to a Performance-Based Organization (PBO) by the end of March 2000. As a PBO, the PTO is subject to policy direction by the Secretary but will be expected to increase its efficiency as a result of being given independent control over budget allocations and expenditures, personnel decisions and processes, procurements, printing, and other administrative and management functions. The conversion to PBO status, long-sought by PTO as an innovative way to improve its efficiency, was approved by Congress in November with passage of the Patent and Trademark Office Efficiency Act.

- **National Technical Information Service**

The Department's National Technical Information Service supports itself through fees charged for its products and services. Between FYs 1995 and 1998, the agency incurred a cumulative loss of \$4.8 million, which nearly exhausted its retained earnings.

Through the past year, the Department continued to address NTIS' deteriorating financial situation by supporting and supervising an aggressive cost-cutting program at the agency. These cost reduction measures included assisting in the transfer of 46 NTIS staff members to positions elsewhere in Commerce during the last quarter of FY 1999, consolidating office space, eliminating performance awards, and restricting travel. Although these and other urgent measures permitted NTIS to close FY 1999 with a balance of some \$650,000, instead of a projected deficit, NTIS' financial position remains precarious and its mission and structure outdated.

In late 1999, to address this long-term issue, the Department submitted draft legislation that would close NTIS and transfer selected functions to the Library of Congress. We testified on our proposal before the House and Senate in September and October, respectively. We are continuing a dialogue with the Library of Congress and other interested agencies and stakeholders on the details of the Department's proposal.

Conclusion

The Department is proud of its accomplishments and we look forward to building on our record of implementing solid improvements. Accountability, open reporting to the taxpayer, and emphasizing continuous improvement provide significant motivation for optimal resource use. We have relied on, and will continue to use, the management tools provided by legislation – including the Government Performance and Results Act, the Chief Financial Officers Act, the Clinger-Cohen Act, and other measures passed over the past decade. We continue to work to resolve all of the Inspector General's original "top ten" management concerns and to further enhance our record of management improvements that facilitate full accountability and maximum performance.

